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### CHAPTER 10 – SELF-EMPLOYMENT GUIDELINES

#### 1000 SELF-EMPLOYMENT GUIDELINES

##### 1000.1 Federal Regulations

[34 CFR 361.48](#) – Scope of vocational rehabilitation services

##### State Rules

[5 CSR 90-5.400](#) – Services

[5 CSR 90-5.470](#) – Self-employment

##### 1000.2 Related Websites:

[www.missouribusiness.net](http://www.missouribusiness.net) - select Career Options Programs - Project/Fast Track New Ventures (Department of Economic Development-Self Employment)

[www.business.mo.gov](http://www.business.mo.gov) - the new Missouri Business Portal

[www.muextension.missouri.edu/regions/](http://www.muextension.missouri.edu/regions/) - select an extension office for your county, go to search box and type in "Business Plans"

##### 1000.3 Best Case Practice

###### 1000.3.1 Purpose/Initial Considerations

- Self-employment is a vocational option that may be considered in the wide array of employment options available and as part of an individual's informed choice.
- Self-employment is a business in which the client performs, supervises or subcontracts the major part of the product or service to be produced.
- Prior to developing an IPE for self-employment, the counselor must ensure services have been agreed to by the client and approved by VR in accordance with the following:
  - A mutually acceptable, and VR approved business plan is developed which will be used as a guide toward a successful employment outcome.

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#### **1000.3.1 Purpose/Initial Considerations (continued)**

- The self-employment business complies with all applicable federal, state, local regulations and statutory requirements.
- VR may only contribute toward the purchase of required business equipment, supplies, rent (up to six months), or other start-up costs identified in an approved business plan for self-employment.
- The client should contribute toward the cost of the planned services to the maximum of their abilities, and make application for all available comparable services (i.e. micro enterprise grants, Small Business Administration assistance, and Rural Missouri Incorporated assistance).
- For additional guidance when considering agricultural self-employment and/or requests from [AgrAbility](#), consult with the Assistant Director of Rural Services or the Director of Operations.

#### **1000.3.2 Informed Choice**

- Prior to the development of a self-employment IPE, consider and document the following:
  - Will self-employment produce a greater likelihood of attaining and maintaining employment?
  - Is the flexibility and self-determination of self-employment a preferable choice for this client?
  - Has the client requested self-employment after exploring other options?
  - Does he/she understand the complexities of this choice?
  - Does the client have or is he/she willing to acquire the skills needed to justify the vocational goal and the self-employment assistance?
- Unless the individual has a background in business or business education, it is highly recommended that he/she participate in business development workshops or training through the local Small Business Development Center, University Extension Center or other appropriate, reputable source prior to considering a self-employment goal.

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#### **1000.3.2 Informed Choice (continued)**

- Client should plan to acquire skills he/she may need to support the business plan such as classes in management, accounting, and marketing or other seminars or training sessions which will increase the likelihood of success if he/she does not have this background or training.

#### **1000.3.3 Client Contribution**

- Prior to the development of a self-employment IPE, the client should be willing and able to contribute to the planned services monetarily or in kind as follows:
  - Demonstrates the availability of, and ability to obtain some of the proposed business initial costs through resources other than VR.
  - Contributions may take many forms and can include:
    - a personal vehicle that will be used in the business
    - tools/equipment already owned by the client
    - real estate the client owns to be used in the business
    - Plan to Achieve Self Sufficiency (PASS)
    - Sweat equity - for an individual with experience this is the number of hours the client will invest in the start-up, times the current labor market rate for that job in that area.
  - Contributions will be included as part of the overall cost of the business and counted toward the client's part of his/her contribution in the VR Formula.
  - If the client receives SSI/SSDI, referral to a community work incentive coordinator (benefits specialist) to understand the impact of earnings on benefits may be appropriate.

#### **1000.3.4 Vocational Rehabilitation Contribution**

- VR may contribute toward the purchase of required business equipment, supplies, rent (up to 6 months) or other start-up costs identified in an approved business plan for self-employment.
- VR funds may not be used to purchase the following:
  - real property, defined as land, including land improvements, structures and appurtenances thereto, excluding moveable machinery or equipment; or

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#### 1000.3.4 Vocational Rehabilitation Contribution (continued)

- automobile, truck, van, airplane, boat, other powered vehicle, or trailer that requires title and/or licensing by the state.
- The percentage of VR contribution will depend upon comparable services or client contributions toward the self-employment plan as well as the overall cost of the planned services.
- VR may contribute as follows:
  - Identified start-up costs from \$1 to \$5000 – up to 100% VR contribution;
  - Identified start-up costs from \$5001 to \$10,000 – up to an additional 50% beyond VR's initial contribution of \$5000; and/or
  - Identified start-up costs from \$10,001 to \$20,000 – up to an additional 25% of \$20,000 beyond VR's contribution listed above.
  - Example: Client has an approved self-employment plan through VR. The start-up costs are \$12,000. Applying the VR contribution formula, the agency contribution would be as follows:

\$1 to \$5000 VR may contribute (100%)	\$5000
\$5001 to \$10,000 VR will contribute (50%)	\$2500
\$10,001 to \$12,000 (initial cost) DVR contribution (25%)	<u>\$ 500</u>
VR Contribution -	\$8000
Client contribution or comparable services	<u>\$4000</u>
Total costs -	\$12000

- Exceptions: Business plans that exceed VR's total contribution of \$10,000 require approval by the Self-Employment Review Team, comprised of the counselor, self-employment specialist, supervisor and regional manager.

#### 1000.3.5 Preliminary Self-Employment Questions/Issues To Be Assessed

- Does the client meet financial guidelines for services?
  - If not, does he/she understand that VR will provide a limited array of services that may include assessment, counseling and guidance, referral and follow-up?
- Has an evaluation been conducted by the counselor to assess the client's skills, adaptability and other personal characteristics needed to successfully run a business?

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### 1000.3.5 Preliminary Self-Employment Questions/Issues To Be Assessed (continued)

- Will the client be able to perform all activities/steps necessary for the business or service, with or without accommodation?
  - If yes, what, if any accommodations will be needed?
  - If not, how will the client plan for these activities?
- If others are to be employed, has the client considered:
  - current wage/hour laws
  - liability insurance
  - worker's compensation
- If the business is a partnership, does the partner understand the role of VR and VR guidelines pertaining to the purchase and ownership of tools and equipment – [CSG 1930](#)
- Does the client have an established credit history with which to operate the business? If not, can he/she present a plan for acquiring operating capital or rehabilitating his/her credit?
- Does the client have the fiscal management skills to run a successful business? If not, what is his/her plan for financial management?
- Does the client demonstrate the availability of, and ability to obtain, some of the proposed business initial costs through resources other than VR?
- Is the client willing to work with the Small Business Development Center, the University Extension Center or other resources for assistance?
- Is this a new business or addition to an existing business?
  - New = an initial start up for the client
  - An addition to an existing business = may include expansion of a part-time business to full time requiring additional equipment
- If this is an addition to an existing business or request for additional equipment for an existing business, document what circumstances have produced the need for outside participation (even if VR did not assist with the initial business venture), as follows:
  - A review of tax returns for a reasonable time period (1 to 3 years) is recommended to evaluate the business' success.

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### **1000.3.5 Preliminary Self-Employment Questions/Issues To Be Assessed (continued)**

- If the individual's earnings are not at or above minimum wage, a thorough exploration of the reasons should be undertaken and a comprehensive examination of whether VR assistance will significantly improve operations and what services will be required.
- What does the client expect from VR (be specific)?
- If tools, equipment or initial stocks are being considered for VR purchase, review the following with the client:
  - What equipment/tools will be needed to start the business?
  - Describe what will the equipment/tools be used for?
  - The purchase of tools, equipment and initial stocks should be considered as part of the initial business start-up cost.
  - Price quotes from at least two sources, as practical, should be obtained.
- Did the counselor and supervisor visit the location of the proposed business for a personal assessment of the location?
- Did the counselor identify sources of information in the business plan?
- Did the counselor review and discuss bookkeeping or legal fees that may be incurred since there will be audits?
- Does the self-employment business comply with all applicable federal, state, local regulations and statutory requirements?

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### 1000.3.6 Self-Employment Business Plan

- When the business plan has been developed, it should be reviewed by the counselor, client, supervisor or Self-Employment Review Team to ensure it addresses all of the concerns noted above, and contains all of the items outlined in the Business Plan Guide (Section 1010) to the degree necessary for that specific business.)
- When reviewing the business plan, consider the following:
  - Does this plan appear reasonable in terms of requests and potential for a successful outcome based upon the information provided?
  - Is there mutual agreement among all involved parties with the plan as developed? If not, identify the areas of concern and work together toward development of a plan that is mutually acceptable to all parties.
  - The self-employment specialist in each office, regional manager, and/or Director of Operations may be consulted as necessary at any step in the process.
  - The Assistant Director of Rural Services should be consulted when preparing a business plan for agricultural self-employment and/or assessing requests from AgrAbility.
- Approval Process:
  - Senior Counselors with plan approval - may review and approve business plans that do not exceed \$5000 in total VR contribution, but are encouraged to discuss these with the district supervisor.
  - District Supervisors - should approve all business plans that exceed \$5000 in total VR contribution.
  - Self-Employment Review Team - should review and approve all business plans that exceed \$10,000 in total VR contribution and may be consulted by the district supervisor or counselor on other cases with a total cost of less than \$10,000.



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#### **1000.3.7 Self-Employment IPE**

- When all parties are in agreement with the proposed business plan, a Counseling and Guidance Individualized Plan for Employment (IPE) may be developed.
- A schedule of follow-up contacts should be written into the IPE to ensure the client is able to set up the business, advertise, attract customers, produce goods and/or services, and maintain an accounting system.
- Criteria for movement of the case into employment status (status 22) should be mutually discussed, developed and written into the IPE.
- The case will be moved into status 22 at the time reported earnings are equivalent to minimum wage.
- If the client does not demonstrate earnings of minimum wage or above within a reasonable time (as specified in the IPE), work with the client to re-evaluate the continued feasibility of the business and explore other options, if necessary.

#### **1000.3.8 Self-Employment-26 Closure**

- The case should remain open until earnings comparable to an average minimum wage for a period of 90 days can be demonstrated. There will be fluctuation so a weekly or monthly formula may be needed.
- Formula for calculating average minimum wage = money coming in – normal business expenses necessary to produce the product/service (raw material costs) ÷ 40 hours per week or less.

#### **1000.4 Procedure**

- Document informed choice in the VR case folder.
- When there is an established self-employment goal with an approved business plan, meet with the client to review and sign the “C&G Self-Employment” IPE including responsibility addendums.
- Complete the “Counselor Comprehensive Assessment” form in MoRIS, if this is an initial IPE.
- Collect required financial information/file in the financial section of the case folder.

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#### **1000.4 Procedure (continued)**

- Follow the current Ticket-To-Work Procedure, when appropriate.
- Make appropriate status 14 move, by selecting “self-employment”.
- Record progress in accordance with timelines specified in the IPE.
- The IPE must be reviewed and developed with the client at least annually.
- Follow up with the client by phone or in person at least monthly to ensure client satisfaction, and progress toward a successful employment outcome.
- Move to Status 20 when the business initiates production, sales or service. An IPE, placement plan or report of contact addressing the responsibilities of all parties may be completed at this time.
- Move to Status 22 in accordance with the criteria developed and written into the initial IPE.
- There must be documentation reflecting substantial services leading to a positive employment outcome before the case is closed successfully.
- When the client has been successfully employed for 90 days and has been contacted to verify job satisfaction, the case may be closed Status 26.

#### **1000.5 Authorization and Billing**

- When self-employment services require the purchase of equipment and/or modifications follow appropriate procedures in [CSG 1900-1930](#).
- When self-employment services require the purchase of rehabilitation technology, follow appropriate procedures in [CSG 1170](#).
- An authorized district office signature verifying receipt of services, with supporting documentation by the counselor in a report of contact, is required before the bill may be submitted for payment.

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## 1010 BUSINESS PLAN GUIDE

### 1010.1 Federal Regulations

[34 CFR 361.48](#) – Scope of vocational rehabilitation services

#### State Rules

[5 CSR 90-5.400](#) – Services

[5 CSR 90-5.470](#) – Self-employment

### 1010.2 Business Plan Guide

- The client is required to develop a business plan if requesting VR assistance with the cost of self-employment services.
- The following is a general guide regarding the information that should be included when developing a business plan:
  - **Name of the Business or Doing Business As (DBA)**
  - **Description of the Business –**
    - What form of ownership (sole proprietorship, LLC, partnership, etc.)
    - What are the products or services?
    - What are the unique features of the product/service?
    - How are they different from what is currently available?
    - What are the advantages/disadvantages of the product/service?
    - What is the potential for expansion, if appropriate?
    - What is the history and/or background of the organization?
  - **Tax ID Number or Social Security Number**
  - **Business Location –**
    - Provide the geographic location of the business.
    - What are the advantages/disadvantages of this location to customers/suppliers?
    - Do you own the facility?
    - Will the owner permit its use for the purpose noted?
    - If DVR is requested to assist with lease payment, how will you provide for this when DVR assistance has ceased?

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## 1010.2 Business Plan Guide (continued)

- Is the area zoned for business and have the appropriate permits been obtained?
- Describe the physical layout of the facilities (age, condition, square footage and how it meets the business needs)
- If modifications need to be made, address why and how this will be accomplished. Why is this more desirable than moving to a different location?
- If leased, will the owner permit the modifications?
- **Market Research and Analysis –**
  - Who are the customers/potential customers?
  - What is the demand for the product/service?
  - Who is the competition?
  - Why will customers prefer your product/service to the competitor's?
  - What are the trends within the industry nationally/locally, as appropriate?
  - What documentation do you have of customer commitment?
- **Marketing Plan –**
  - What is the overall marketing strategy?
  - Who is the initial target market?
  - How will they be contacted?
  - What will you feature about the product/service to interest customers?
  - What type of advertising is planned?
  - What is the advertising budget?
  - How does your price compare to that of your competitors?
  - If your price is lower than the competition, how can you generate profits?
- **Operational Plan –**
  - Will all of the work be completed "in-house," and by whom?
  - How will quality be monitored?
  - How and where will supplies be obtained/maintained?

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## 1010.2 Business Plan Guide (continued)

- **Management and Professional Services –**
  - Who are the key management personnel?
  - What are their responsibilities and what are their backgrounds?
  - Is there a board of directors? Describe the size and composition.
  - Who will provide legal advice/accounting services; what is his/her experience? (IRS audits will happen with penalties at \$10,000 or more)
  - What are the insurance requirements?
- **Financial Plan –** the financial plan should contain:
  - Information on the need for and sources of funding (services requested from VR should be identified, but VR has limitations on participation and alternative resources may be required).
  - Consider taxes, including social security, and effects on any benefits.
  - An income statement/profit – loss forecast for 3-5 years
  - A break-even analysis (how much of a product/service must be sold to break even?)
  - A cash flow statement/projections for 3-5 years (that shows when cash will actually be received and when bills will actually be paid)
  - A balance sheet and personal financial statement
- **Potential Risks and Problems** - identify the major risks and problems and how they will be addressed, which may include, but are not limited to the following:
  - On-line business is very limited (consider doing an internet search for the business type and see how many results come up)
  - In general self-employment is less flexible time wise (consider that for most businesses it will take one hour of networking and/or marketing to sell one hour of services/merchandise)
  - Do not overestimate earnings

## 1010.3 Wage Formula

- Formula for calculating average minimum wage = money coming in – normal business expenses necessary to produce the product/service (raw material costs) ÷ 40 hours per week or less.